IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	**Chapter 11**
	§	
FIELDWOOD ENERGY LLC, *et al.*,	§	**Case No. 20-33948 (MI)**
	§	
Debtors.[1]	§	**(Jointly Administered)**
	§	

DECLARATION OF JOHN-PAUL HANSON IN SUPPORT OF CONFIRMATION OF THE DEBTORS' FOURTH AMENDED JOINT CHAPTER 11 PLAN OF FIELDWOOD ENERGY LLC AND ITS AFFILIATED DEBTORS

I, John-Paul Hanson, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a Managing Director at Houlihan Lokey Capital, Inc. ("**Houlihan**"), where I am Head of Houlihan's Oil & Gas Group, and am a senior banker in the firm's Financial Restructuring Group with respect to the oil and gas industry and sub-sectors. I am based out of Houlihan's Houston office located at 1001 Fannin St., Suite 4650, Houston, TX 77002. Houlihan is the investment banker and retained valuation expert for Fieldwood Energy LLC ("**FWE**" or the "**Company**") and its debtor affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the "**Debtors**"). Houlihan and its senior professionals have

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: Dynamic Offshore Resources NS, LLC (0158); Fieldwood Energy LLC (6778); Fieldwood Energy Inc. (4991); Fieldwood Energy Offshore LLC (4494); Fieldwood Onshore LLC (3489); Fieldwood SD Offshore LLC (8786); Fieldwood Offshore LLC (2930); FW GOM Pipeline, Inc. (8440); GOM Shelf LLC (8107); Bandon Oil and Gas GP, LLC (9172); Bandon Oil and Gas, LP (9266); Fieldwood Energy SP LLC (1971); Galveston Bay Pipeline LLC (5703); and Galveston Bay Processing LLC (0422). The Debtors' primary mailing address is 2000 W. Sam Houston Parkway S., Suite 1200, Houston, TX 77042.

extensive experience with reorganizations, restructurings, and valuations of distressed companies, both out-of-court and in chapter 11 proceedings.

2. I submit this declaration (the "**Declaration**") on behalf of Houlihan in support of confirmation of the Debtors' *Fourth Amended Joint Chapter 11 Plan of Fieldwood Energy LLC and Its Affiliated Debtors* [ECF No. 1284] (the "**Plan**") and any supplements thereto.

3. Except as otherwise indicated, all statements in this Declaration are based on (a) my personal knowledge of the Debtors' operations and finances, (b) my review of relevant documents, (c) information provided to me by Houlihan employees working under my supervision, (d) information provided to me by, or discussions with, the members of the Debtors' management team or their other advisors, and (e) my opinion based upon my experience as an investment banker to the oil & gas industry and a restructuring professional. If called to testify, I could and would testify to each of the facts set forth herein. I am not being compensated specifically for this testimony other than through payments received by Houlihan as a professional retained as the Debtors' investment banker and valuation expert in these chapter 11 cases. In any event, no aspect of my testimony is contingent on any payment to Houlihan.

Qualifications

4. I specialize in advising public and private oil and gas companies and their lenders and investors, including in the context of complex financial restructurings. Before joining Houlihan in 2001, I was a manager of alternative lending at Commonfund Mortgage Corp., where I structured whole loan and portfolio fundings, sales, and securitizations involving a variety of asset-backed lending transactions. Earlier in my career, I held a similar position at MoneyLine Lending. I began my career in finance, trading fixed income securities at NNJ, a private family wealth fund formerly based in San Francisco, California. I have an M.B.A., with a concentration

in Finance, from the University of Maryland's Robert H. Smith School of Business and a dual B.A. degree, *cum laude*, in Italian and International Finance from Brigham Young University. I am FINRA certified with Series 7 and 63 licenses.

5. I have extensive experience as an advisor in corporate restructurings, public and private debt and equity offerings, acquisitions and divestitures of oil & gas assets, and mergers and acquisitions. I have advised many companies, creditors, and investors in connection with in-court and out-of-court restructurings and recapitalizations relating to offshore Gulf of Mexico businesses, including *ATP Oil & Gas Corp.*, *Bennu Oil & Gas, LLC*, *Energy XXI Ltd.*, *Cobalt International Energy, Inc.*, and Fieldwood Energy LLC's previous restructuring. In addition, I have advised numerous companies, creditors, and investors in connection with in-court and out-of-court restructurings and recapitalizations relating to onshore U.S. and international E&P companies, including *Berry Petroleum, LLC, Sandridge Energy, Inc., Sheridan Production Partners (I and II), PA Resources, Halcon Resources Corporation, BPZ Resources, Inc., Chesapeake Energy Corporation, All American Oil & Gas, Breitburn Energy Partners, Jones Energy Corporation,* and *Endeavour International Corporation*, among many others within the energy industry and a variety of other sectors. I have previously submitted declarations and/or affidavits and proffered testimony in multiple cases. I have authored, co-authored, and spoken on various topics, including Trends in Oil & Gas Finance, Capital and Valuation, and financing markets and valuation dynamics in a distressed environment, among others.

6. In March 2020, the Debtors retained Houlihan as their investment banker to assist with the Debtors' evaluation of strategic alternatives. Since that time, members of my team and I have worked closely with the Debtors' management and other professionals the Debtors retained in these chapter 11 cases to analyze the Debtors' business affairs, assets and liabilities,

financial position, contractual arrangements, and various proposed strategic transactions. I, and the Houlihan team, have become familiar with the Debtors' capital structure, liquidity needs, and business operations.

Enterprise Valuations and Residual Distributable Value

7. Prior to and after the Petition Date, the Company, its advisors and my team at Houlihan engaged in discussions with the Company's creditor constituencies regarding the terms of a restructuring that would include a recapitalization of the Debtors' business.[2] The Debtors and their advisors spent months working closely with lenders and other stakeholders to develop the presented restructuring framework and carefully considered the Debtors' options for financing the transactions to be consummated pursuant to the Plan. In addition to my role serving as the Debtors' financial advisor, I have also been engaged to evaluate the Debtors' business and provide an expert opinion on (i) the value of NewCo, FWE I, FWE III, and FWE IV; and (ii) the Debtors' Residual Distributable Value ("**RDV**"). My opinions and conclusions are reflected in the *Expert Report of John-Paul Hanson*, dated April 21, 2021 (the "**Report**"), and the *Rebuttal Report of John-Paul Hanson in Response to Expert Report of Geoffrey G. Roberts*, dated May 24, 2021 (the "**Rebuttal Report**," and together with the Report, the "**Reports**"), attached hereto as **Exhibit 1** and **Exhibit 2**, respectively.

8. Accordingly, and as detailed in the Reports, I came to the following conclusions (the "**Conclusions**"): (i) NewCo's enterprise value is within the range of approximately \$880 million to \$1.17 billion with a midpoint of approximately \$1.03 billion; (ii) FWE I's enterprise value is within the range of approximately negative \$220 million to positive \$170 million with a midpoint of approximately negative \$30 million; (iii) the RDV is within the

[2] Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Plan.

range of approximately $0 million to approximately $120 million with a midpoint of approximately $19 million;[3] (iv) FWE III's value is within the range of approximately negative $31 million to negative $25 million with a midpoint of approximately negative $28 million; and (v) FWE IV's value is within the range of approximately negative $38 million to negative $25 million with a midpoint of approximately negative $31 million.

Enterprise & Asset Valuations

9. In determining the Conclusions, I utilized a combination of three standard valuation methodologies, which are typical for valuing oil & gas assets and businesses, including (i) the net asset value approach (the "**NAV Approach**"), (ii) the comparable completed precedent transactions (the "**Precedent Transactions Approach**"), and (iii) the publicly traded comparable companies (the "**Publicly Traded Comparable Companies Approach**"). The NAV Approach estimates the value of an entity using the present value of the cash flows forecasted to be generated by its oil and gas reserves and other assets, as well as taking into account corporate-level assets and cash expenses. The NAV Approach takes into account specific characteristics of the entity's assets, cash costs (including capital expenditures) and operating and development plan(s) and, based on my experience, is the most relevant and commonly used valuation methodology for oil and gas assets. Therefore, I weighted the NAV Approach more heavily than the other relative valuation methodologies.

10. The entities resulting from the Plan have different properties and business purposes. I took these considerations into account in assessing the value of each entity. For example, I assessed the value of NewCo using all three of the above-mentioned valuation

[3] The RDV conclusions are discussed in more detail below.

methodologies because NewCo is anticipated to be a traditional going concern entity; I assessed the value of FWE I using only the NAV Approach and Precedent Transaction Approach because, although FWE I has production and reserve value, it is not anticipated to be a going concern entity; and I assessed the value of FWE III and FWE IV using only the NAV Approach, as these last two entities exist solely to execute decommissioning (aka plugging and abandoning) activities and there are not comparable precedent transactions and/or comparable companies against which to reference.

11. In assessing the value of each entity, I relied on information provided by the Debtors, including with respect to historical, current, and projected operational and financial information and forecasts. Based on my extensive experience advising the Debtors on financial matters and the due diligence conducted throughout this process, I have high confidence in the accuracy and reliability of the information supplied.

12. Although I considered many documents and a substantial amount of data in determining the Conclusions, a primary data source I relied on was the Debtors' MY-2020 ARIES Database (the "**Mid-Year Database**").[4] In order to approximate the YE-2020 ARIES Database (the "**Year-End Database**"), we "rolled-forward" and otherwise updated the Mid-Year Database for a variety of items as detailed in the Report on pages 73 (for NewCo) and 79 (for FWE I) (as adjusted, the "**Revised Mid-Year Database**").

13. In April 2021, the Year-End Database was finalized and made available to me. This occurred after I had reached my initial valuation conclusions, but prior to the publication of my Report. To ensure my original conclusions were appropriate and comprehensive, I analyzed the Year-End Database to assess whether, due to the passage of time or for other reasons the

[4] A complete list of materials considered and relied upon is included within the Reports.

audited Year-End Database materially impacted the reliability or accuracy of my initial valuation conclusions. I determined that there was not a material impact on my initial valuation conclusions.[5] The Conclusions set forth in my Report and reaffirmed in my Rebuttal Report remain sound and reliable.[6]

Residual Distributable Value

14. I also assessed the RDV provided for by the Plan. RDV was determined by (i) assessing the value of FWE I, FWE III, and FWE IV, and (ii) the amount of residual cash, if any, remaining in the Claims Reserve, Plan Administrator Expense Reserve, and/or the Professional Fee Escrow after all claims and expenses have been satisfied (the "Reserve Accounts").

15. For the reasons detailed in my Report, I concluded that (i) FWE I, FWE III, and FWE IV do not have inherent value, but (ii) FWE I does have option value, as there is the possibility its asset value could exceed its P&A obligations and other liabilities depending upon future commodity prices, financial assurance, and other factors. I assessed FWE I's option value, and therefore its contribution to RDV, using a Black-Scholes analysis. My RDV assessment assumes there is no residual cash contributed by the Reserve Accounts.[7]

16. In light of the experience I have advising the Debtors and the considerable experience I have in valuing oil and gas assets in the Gulf of Mexico, I stand behind the opinions and Conclusions reflected in my Reports. The Debtors' proposed Plan should be confirmed.

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[5] Specifically, I considered the effect of the following items, among others: (i) April 1, 2021 strip pricing, (ii) a July 1, 2021 valuation date and Plan effective date, and (iii) the effect of the Trust A NPI.

[6] Support for this conclusion can be found in the Report.

[7] The Black-Scholes analysis is detailed at pg. 54 of the Report.

Dated: June 13, 2021

/s/ John-Paul Hanson
John-Paul Hanson
Managing Director
Houlihan Lokey Capital, Inc.

Exhibit 1

HOULIHAN LOKEY

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Expert Report of John-Paul Hanson

FIELDWOOD ENERGY LLC

CASE NO. 20-33948 | TEXAS SOUTHERN DISTRICT | JUDGE MARVIN ISGUR

APRIL 21, 2021 | HIGHLY CONFIDENTIAL

Disclaimer & Non-GAAP Financial Measures

The estimates of value set forth herein are not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein depending on the results of the Debtors' operations, changes in the financial markets, or changes to the regulatory framework. Additionally, these estimates of value represent hypothetical enterprise and equity values, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. Such estimates were developed solely for purposes of formulation and negotiation of the Plan and analysis of implied relative recoveries to creditors thereunder. The value of an operating business such as the Debtors' businesses is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such businesses.

Houlihan Lokey's estimated valuation range does not constitute a recommendation to any holder of Allowed Claims or Interests as to how such person should vote or otherwise act with respect to the Plan. The estimated values set forth herein do not constitute an opinion as to the fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan. Because valuation estimates are inherently subject to uncertainties, none of the Debtors, Houlihan Lokey or any other person assumes responsibility for their accuracy or any differences between the estimated valuation ranges herein and any actual outcome.

Non-GAAP Financial Measures

In this presentation, we present certain financial measures that are not presented in accordance with U.S. generally accepted accounting principles ("GAAP"), including "EBITDA" and "free cash flow."

EBITDA is a non-GAAP financial performance measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We define EBITDA as net income (loss) before interest expense; unrealized derivative expense; reorganization items and charges; income taxes; accretion expense, depreciation, depletion and amortization; non cash general and administrative expense; certain other n on cash items and certain other non recurring expenses. EBTIDA for the Mexico financial results is defined as Cost Recovery plus Contractor Profit Share less Operating Expenses, G&A and other cash administrative items. We believe EBITDA is a useful performance measure because it allows us to more effectively evaluate our operating performance and compare the results of our operations from period to period against our peers without regard to our financing methods or capital structure. We exclude the items listed above from net income (loss) in arriving at EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Certain items excluded from EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's capital and tax structure, as well as historical costs of depreciable assets, none of which are components of EBITDA. Our presentation of EBITDA should not be construed as an inference that our results will be unaffected by unusual or non recurring items. Our computations of EBITDA may not be comparable to other similarly titled measures of other companies. EBITDA is not a measure of net income (loss) as determined according to GAAP and should not be considered an alternative to, or more meaningful than, net income (loss) as determined in accordance with GAAP. Please see the appendix to this presentation for a reconciliation of EBITDA to net income (loss), our most directly comparable financial measure calculated and presented in accordance with GAAP.

Free cash flow and operating margin are supplemental non GAAP financial measures that are used by management and external users of our financial statements in assessing our ability to pursue business opportunities and investments, assessing our profitability and measuring our performance as compared to our peers. We define free cash flow as EBITDA less capital expenditures; P&A; capitalized G&A; cash interest expense; trust contributions and other contractual payments. We define operating margin as the percentage of our EBITDA that is attributable to our total revenue. Please see the appendix to this presentation for a reconciliation of free cash flow to net income (loss), our most directly comparable financial measure calculated and presented in accordance with GAAP.

Table of Contents

Introduction

This expert report (the "Expert Report") has been prepared by John-Paul Hanson and others under his supervision at Houlihan Lokey Capital, Inc. ("Houlihan Lokey") in connection with Fieldwood Energy LLC's and certain subsidiaries' ("Fieldwood" or "Debtors") chapter 11 cases before the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court")

Mr. Hanson is a Managing Director and Head of Houlihan's Oil & Gas Group, an industry leader in providing financial advice to companies, creditors and investors in the oil and gas sector and sub-sectors

Mr. Hanson will provide expert testimony regarding his opinion of: (i) the enterprise value ("Enterprise Value") of Credit Bid Purchaser / NewCo ("NewCo"); (ii) the Enterprise Value of the FWE I Entities ("FWE I"); (iii) the Residual Distributable Value ("RDV"); (iv) the value of FWE III; and (v) the value of FWE IV

Mr. Hanson's testimony is part of the services provided by Houlihan Lokey pursuant to an engagement letter dated March 30, 2020 between the Debtors and Houlihan Lokey Capital, Inc. (the "Engagement Letter")

- Pursuant to the Engagement Letter, HL to be paid following fees upon consummation of the transactions contemplated by the Plan and the Credit Bid Purchase Agreement:
  - A Monthly Fee of $175,000 for the first three months and $150,000 thereafter
  - A Restructuring Transaction Fee equal to $8,250,000 (subject to crediting of certain monthly and other fees per the Engagement Letter)
  - Financing Transaction Fee(s) subject to a $1,000,000 minimum per financing transaction
- Houlihan Lokey will not receive incremental compensation related specifically to the preparation of the Expert Report or related testimony
- The Engagement Letter summaries provided in the Expert Report are provided for an overview only. In the event of any inconsistency between any summary and the terms and provisions of the Engagement Letter, the terms of the Engagement Letter or the respective court filings shall control

On November 4, 2020, the Bankruptcy Court issued an Order Authorizing the Retention and Employment of Houlihan Lokey as the Financial Advisor and Investment Banker to the Debtors

Memo: All capitalized terms regarding the Engagement Letter on this page are defined terms in the Engagement Letter or the respective court filings unless otherwise noted

Mr. Hanson's Qualifications

Mr. Hanson is a Managing Director and Head of Houlihan Lokey's Oil & Gas Group. Mr. Hanson has extensive personal oil and gas industry and restructuring experience, and leads a dedicated team of senior oil and gas industry banking professionals, including restructuring professionals. Within Houlihan Lokey's Oil & Gas Group, Mr. Hanson oversees a dedicated Acquisitions and Divestitures (A&D) team, including reserve engineering and geosciences professionals with extensive technical oil and gas reserve and operations expertise in many global operating regions.

Mr. Hanson has presented and spoken on various topics, including trends in oil and gas finance, oil and gas financing markets in a distressed environment, and oil and gas valuation dynamics, among others. Mr. Hanson previously served on the Board of Directors of Bennu Oil & Gas, LLC, an entity established for the purpose of acquiring and operating offshore oil and gas properties in the Gulf of Mexico. Mr. Hanson has not authored any publications during the last 10 years.

Mr. Hanson has testified in court numerous times and has been qualified as an expert, most recently in the following matters (the respective petition dates are in parenthesis): All American Oil & Gas, Inc. (11/12/18), ATP Oil & Gas Corporation (8/17/12), Quicksilver Resources, Inc. (3/17/15), BPZ Energy, Inc. (3/9/15), Berry Petroleum LLC (5/11/16), SandRidge Energy, Inc. (5/16/16), Cobalt International Energy, Inc. (12/14/17), and Midstates Petroleum Company, Inc. (4/30/16)

Mr. Hanson earned a dual B.A. degree, cum laude, in Italian and International Finance from Brigham Young University and an MBA with a concentration in Finance from the University of Maryland Robert H. Smith School of Business.

Mr. Hanson has advised on numerous transactions including with respect to the following oil and gas companies:

- All American Oil & Gas, Inc.
- Alon USA Partner, LP
- Alta Mesa Resources, Inc.
- American Eagle Energy Corp.
- Applied LNG
- Arena Energy, L.P.
- ATP Oil & Gas, Inc.
- Bennu Oil & Gas, LLC
- Berry Petroleum LLC
- Big West Oil, LLC
- BPZ Energy, Inc.
- Breitburn Energy Partners, L.P.
- Chesapeake Energy Corp.
- CITGO Holding, Inc.
- Cobalt International Energy, Inc.
- Continental Resources, Inc.
- Core Minerals Operating Co., Inc.
- Cox Operating, LLC
- Connacher Oil & Gas Ltd.
- CREDO Petroleum Corp.
- Crosstex Energy, Inc.
- Cubic Energy Inc.
- Dana Gas PJSC
- Delta Petroleum Corp.
- Diversified Gas & Oil, PLC
- Eclipse Resources Corp.
- Emerald Oil, Inc.
- Endeavour International Corp.
- Energy Corp. of America, Inc.
- Energy XXI Ltd.
- EnQuest plc
- Enron Corp.
- EP Energy Corp.
- ERG Resources, LLC
- Extraction Oil & Gas, Inc.
- Exxon Mobil Corp.
- Ferrellgas Partners, L.P.
- Fieldwood Energy LLC
- Gastar Exploration, Ltd.
- Gavilan Resources Corp.
- GBGH, LLC
- Gulf Keystone Petroleum Ltd.
- Halcón Resources Corp.
- Hammerhead Resources, Inc.
- Hilcorp Energy Company
- Jonah Energy, LLC
- Jones Energy, Inc.
- Kaneb Pipe Line Partners, L.P.
- KCS Energy, Inc.
- Legacy Reserves, Inc.
- Magnum Hunter Resources Corp.
- Marathon Petroleum Company
- Meritage Midstream Services
- Midstates Petroleum Company, Inc.
- McMoRan Exploration Co.
- National Energy & Gas Trans. Corp.
- New Age (African Global Energy) Ltd.
- Nexen Energy ULC
- Nine Point Energy, LLC
- PA Resources AB
- Permian Production Partners LLC
- Petroleum Geo-Services ASA
- PetroQuest, Inc.
- Pioneer Southwest E.P. L.P.
- Quicksilver Resources, Inc.
- Sabine Oil & Gas Corp.
- Sable Permian Resources, LLC
- Samson Resources Corp.
- Sanchez Energy Corp.
- SandRidge Energy, Inc.
- Sempra Energy
- Sheridan Production Partners I
- Sheridan Holding Company II, LLC
- Southcross Energy Partners, L.P.
- Southern Pacific Resource Corp.
- Southwestern Energy
- Staghorn Petroleum, LLC
- Sundance Energy, Inc.
- Swift Energy Company
- Tapstone Energy, Inc.
- TC Pipelines, LP (TransCanada)
- Texegy, LLC
- Tipperary Corp.
- Trammo, Inc.
- Triana Energy, LLC
- Triangle Energy USA
- Trident Resources Corp.
- Ultra Petroleum Corp.
- U.S. Energy Corp.
- Yates Petroleum Corp.

Information Considered

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Key Points

Set forth at right and on the following page are the documents considered for this Expert Report

Furthermore, Mr. Hanson had access to and consulted with various employees at the Debtors to address any questions related to topics covered in the Expert Report

In addition, Mr. Hanson received all requested information from the Debtors (to the extent available)

Documents Considered

Documents Related to Reserves

1 Fieldwood_MY2020_Interest Split.mdb ("MY-2020 ARIES Database")
2 Fieldwood_MY2020_Interest Split – Send.mdb ("Revised MY-2020 ARIES Database")
3 Fieldwood.mdb ("YE-2020 ARIES Database")
4 Fieldwood - HL MODS – send.mdb ("Revised YE-2020 ARIES Database")
5 3.5.21 Strip - Eff 07.20 - 1P DW.xlsx
6 3.5.21 Strip - Eff 07.20 - 1P FWEII.xlsx
7 3.5.21 Strip - Eff 07.20 - 2P DW.xlsx
8 3.5.21 Strip - Eff 07.20 - 2P FWEII.xlsx
9 3.5.21 Strip - Eff 07.20 - 1P Remaining.xlxs
10 3.5.21 Strip - Eff 07.20 - 2P Remaining.xlxs
11 3.5.21 Strip - Eff 07.20 - 1P FWEI.xlsx
12 3.5.21 Strip - Eff 07.20 - 2P FWEI.xlsx
13 4.1.21 Strip - Eff 01.21 - 1P NewCo - HL Mods.xlsx
14 4.1.21 Strip - Eff 01.21 - 2P NewCo - HL Mods.xlsx
15 4.1.21 Strip - Eff 01.21 - 1P FWEI - HL Mods.xlsx
16 4.1.21 Strip - Eff 01.21 - 2P FWEI - HL Mods.xlsx
17 4.1.21 Strip - Eff 01.21 - 1P Remaining - HL Mods.xlsx
18 4.1.21 Strip - Eff 01.21 - 2P Remaining - HL Mods.xlsx
19 FW IV Onelines - 2P.xlxs

Documents Related to RDV Analysis

1 (2021.03.08) Strike Price Calcs.xlsx
2 (2021.03.10) Black Scholes FWE I.xlsx
3 2020.03.08_1645 - Volatility Calculations.xlsx
4 2021.01.03 - Duration Backup.xlsx
5 2021.03.08 - Historical treasury rates.xlsx

Documents Related to Business Plan and Updates

1 (2020.10.06) Genovesa Update _1830.pdf
2 FWE 5-Year Model Shift K2 Forecast (10.2020) v1.pdf
3 2021.04.08_1530 - Valuation Analysis.xlsx
4 Updated SpinCo Model (10.2020) v48.xlsx
5 FWE I Model_2021.4.13_2200 5.1 edit.xlsx ("FWE I Model")
6 FWE I Model 4.14.21 7.1 effective date.xlsx
7 2021.03.06_1200 - NAV Grid (March 5 Strip).xlsx
8 2021.04.08_1500 - NAV Grid (April 1 Strip, YE 2020).xlsx
9 G&A Support.PNG
10 (2021.04.10) NewCo Model (5.1 Eff. + Hedges).xlsx ("NewCo Model")
11 2021.04.08_1300 - NewCo Model (7.1 eff date).xlsx
12 2021.03.15_0800 - Valuation Analysis.xlsx
13 FWE IV NAV Grid (April 1 Strip, YE 2020).xlsx
14 FWE IV Term Sheet.pdf
15 FWE 5-Year Model_v20 -GenovesaBuild-out_V2.xlsx
16 2020-12 FWM Model_v4
17 (2021.04.07) Working Capital Reconciliation.xlsx ("Expected NewCo Obligations Projections")
18 Fieldwood-WC Allocation -02.3.21 -0115hrs.pdf
19 2020.08.20 -FWE Transaction Considerations.pdf
20 2021.04.15 - FWM Model.xlsx ("FWM Model")

Memo: Capitalized terms not otherwise defined in this Expert Report have the meaning as defined in the Plan / Disclosure Statement

Information Considered (cont'd)

Documents Considered

P&A Files	Other Sources of Information
1 P&A Detail.xlsx ("P&A Detail File")	1 S&P CIQ
2 PA Schedule_V35.xlsx	Market Data (e.g., share price, market capitalization)
3 Updated Lease Data_v5.xlsx	SEC filings
4 Lease List v84.xlsx	Trading and operating metrics for comparable companies
5 Annual Wind Down Trust P&A Schedule.xlsx	2 Bloomberg
Other Documents	Commodity pricing
1 Onshore and State Leases.xlsx	3 CME Futures
2 Transition Services Agreement.docx	Differentials
3 (2021.04.06) NewCo State Lease P&A Schedule.xlsx	4 Enverus ("PLS")
4 FWE Current Hedge Portfolio (4.6.21).pdf	Global oil & gas M&A precedent transaction database
	5 Refinitiv
	Equity research reports
	6 Press Releases / Articles
	7 US Treasury
	Risk free rates

Memo: Capitalized terms not otherwise defined in this Expert Report have the meaning as defined in the Plan / Disclosure Statement

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Scope of the Expert Report

Scope of the Expert Report

The Expert Report reflects Mr. Hanson's opinion of (i) the NewCo Enterprise Value; (ii) the FWE I Enterprise Value; (iii) the RDV; (iv) FWE III value; and (v) FWE IV value

The Enterprise Value, RDV, and FWE III and FWE IV value conclusions were determined in March 2021 utilizing the following key assumptions and information, among others:

- The MY-2020 ARIES Database (1)
- March 5, 2021 strip pricing (see exhibits at right)
- May 1, 2021 valuation date and Plan effective date

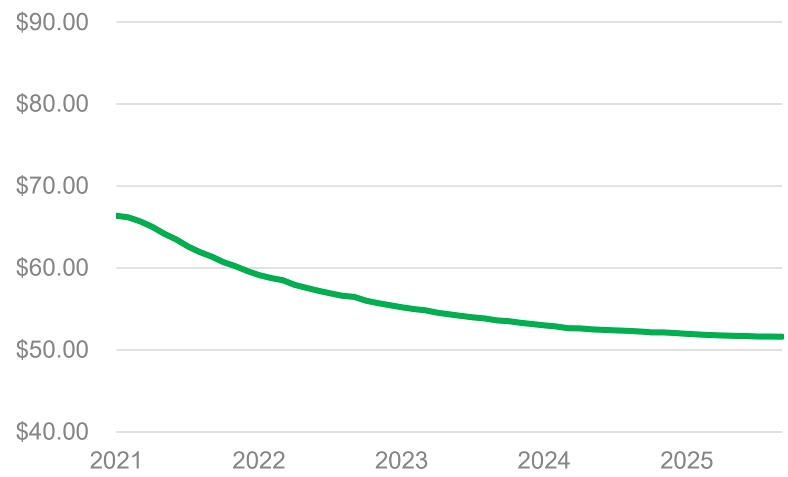
In connection with preparing the Expert Report, Mr. Hanson considered whether his opinions would change as a result of matters relating to any information updates since March and / or the "passage of time." Specifically, Mr. Hanson considered the following, among others:

- The YE-2020 ARIES Database (2)
- April 1, 2021 strip pricing
- July 1, 2021 valuation date and Plan effective date
- The Trust A NPI

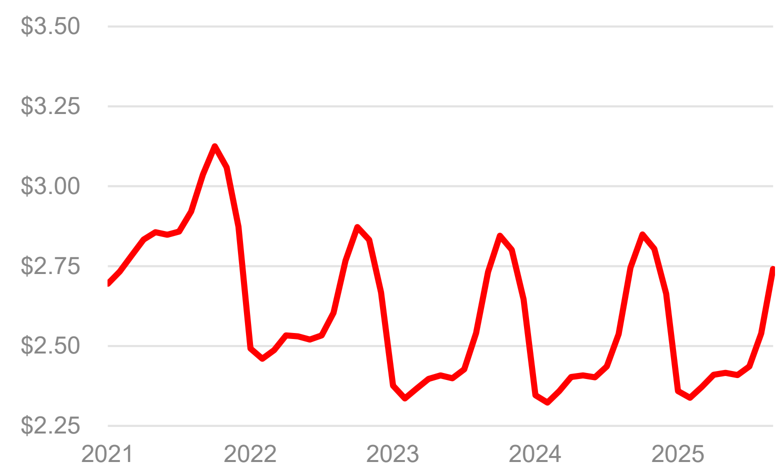
Mr. Hanson determined that the aforementioned roll-forward of information and time do not have a material impact on his opinions

- See pages 66 – 69

WTI Strip Pricing ($/bbl) | March 5, 2021



HH Strip Pricing ($/MMBtu) | March 5, 2021



(1) See file named "Fieldwood_MY2020_Interest Split.mdb"; see page 73 for NewCo for description of file and page 79 for FWE I
(2) Provided to Houlihan Lokey on March 31, 2021

Conclusion

Based upon the analyses performed, I conclude that:

(i) NewCo's Enterprise Value is within the range of approximately $880mm to $1,170mm with a midpoint of approximately $1,030mm

(ii) FWE I's Enterprise Value is within the range of approximately negative $220mm to positive $170mm with a midpoint of approximately negative $30mm

(iii) The Residual Distributable Value is within the range of approximately $0mm to approximately $120mm, with a midpoint of approximately $19mm

(iv) FWE III's value is within the range of approximately negative $31mm to negative $25mm with a midpoint of approximately negative $28mm

(v) FWE IV's value is within the range of approximately negative $38mm to negative $25mm with a midpoint of approximately negative $31mm

I determined that matters relating to any information updates since March 2021 and / or the "passage of time" do not have a material impact on my opinions

I reserve the right to supplement the opinions, analyses, and conclusions presented in this Expert Report based on any subsequently obtained information, including but not limited to, any objections, testimonies, reports of other experts and new market information

I further reserve the right to create additional exhibits to the Expert Report, as appropriate

John-Paul Hanson Managing Director Head of Oil & Gas Group HOULIHAN LOKEY CAPITAL INC.	Date

NewCo Enterprise Value Summary

Key Points

Set forth at right is a summary of NewCo Enterprise Value

- See the indicated pages for a description of and detail regarding each valuation methodology

The Net Asset Value ("NAV") approach takes into account specific characteristics of NewCo's assets and is the most relevant and commonly used valuation methodology for oil and gas assets based on Mr. Hanson's experience

- Therefore, Mr. Hanson weighted the NAV approach more heavily than the relative valuation methodologies in the determination of the implied NewCo Enterprise Value range

Approach	Weighting	Page Reference	NewCo Enterprise Value *$mm*
NAV	70%	17	$930 / $1,080 / $1,230
Precedent Transactions	15%	28	$640 / $790 / $940
Publicly Traded Comparable Companies	15%	33	$860 / $990 / $1,120
Implied Range	100%	n/a	$880 / $1,030 / $1,170

FWE I Enterprise Value Summary

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Key Points

Set forth at right is a summary of FWE I Enterprise Value

- See the pages indicated in the table at right for a description of and detail regarding each FWE I valuation methodology

Mr. Hanson weighted the NAV approach more heavily than the Precedent Transactions approach for the reasons described on the preceding page

As FWE I is not anticipated to be a going concern entity, the Publicly Traded Comparable Companies approach is not applicable for valuing FWE I

Approach	Weighting	Page Reference	FWE I Enterprise Value *$mm*
NAV	70%	39	($260) – $260 $0
Precedent Transactions	30%	47	($110) – ($30) ($70)
Implied Range	n/a	n/a	($220) – $170 ($30)

Residual Distributable Value Summary

Key Points

Set forth below is a summary of the RDV

- See pages 52 – 60 for the RDV analysis

RDV Build-Up | $mm

	Low	Mid	High	Comments
FWE I	~$0.0	~$19.4	~$120.2	Options valuation set forth on page 59
(+) FWE III	-	-	-	No inherent value and no option value given substantially all of the properties are shut-in and were forecasted to generate *de minimis*, if any, production prior to their decommissioning
(+) FWE IV	-	-	-	No inherent value and no option value given properties have immaterial production and are forecasted to generate *de minimis*, if any, cash flow prior to their decommissioning
(+) Residual Cash | Claims Reserve	-	-	-	Assumes no residual cash
(+) Residual Cash | Plan Admin Exp. Reserve	-	-	-	Assumes no residual cash
(+) Residual Cash | Professional Fee Escrow	-	-	-	Assumes no residual cash
Implied RDV	**~$0.0**	**~$19.4**	**~$120.2**	

FWE III and FWE IV Value Summary

Key Points

Set forth at right is a summary of FWE III and FWE IV values

- Mr. Hanson utilized the NAV approach for the reasons described on page 12, but not the Precedent Transactions or Publicly Traded Comparable Companies approaches due to the fundamental differences of FWE III and FWE IV as described on pages 62 and 64, respectively

Entity	Approach	Page Reference	Value ($mm)
FWE III	NAV	62	($31) ($25) ($28)
FWE IV	NAV	64	($38) ($25) ($31)

Description of Methodology

NAV Approach

Key Points

The NAV analysis estimates the value of a subject company using the present value of the cash flows forecasted to be generated by its oil and gas reserves and other assets

For purposes of the NewCo Enterprise Valuation, Houlihan Lokey evaluated the cash flows (after necessary operating and capital expenditures) forecasted to be generated by NewCo's proved and probable reserve categories, and incorporated the effect of NewCo's P&A obligations

- Houlihan Lokey utilized the Revised MY-2020 ARIES Database, adjusted by Houlihan Lokey in coordination with Fieldwood for the items as described on page 73

Houlihan Lokey calculated the present value of these cash flows using a range of discount rates that varied by reserve category ("ResCat"; see page 20 for detail)

The NewCo Enterprise Value was then determined by incorporating various corporate expenses and other necessary operating items not already incorporated in the reserves database, including:

- Facilities, repair and maintenance ("R&M") expense
- G&A expenses
- Insurance costs
- Certain accounts payable and other obligations incurred by the Debtors and to be assumed by NewCo
- Future commitments related to FWE III
- Production handling agreement ("PHA") income
- Remaining items described on page 23 titled "Operating Items Not Already Incorporated in Reserves Database"

Implied NewCo Value

NAV Approach

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Key Points

Set forth at right is the build-up to NewCo Net Asset Valuation approach

Implied NewCo Net Asset Value | $mm

ResCat / Item	Implied Value – Low	Implied Value – High	*Pg. Reference*

[redacted]

(1) Assumes cash on hand is required to address working capital swings and is not incremental to implied NewCo Net Asset Value

Utilized Discount Rates

Key Points

As mentioned, Houlihan Lokey used risk-adjusted discount rates ("RADRs") to calculate the present value of cash flows generated by NewCo's reserves

- Houlihan Lokey selected the RADRs based on its direct, first-hand experience negotiating with buyers and sellers of oil and gas assets and companies in the current environment
- RADRs were determined on a ResCat by ResCat basis based upon underlying risk

Set forth below are the RADRs utilized herein:

ResCat		Low	High
1P	Producing (1)	10.0%	15.0%
1P	Behind Pipe	15.0%	20.0%
1P	Non-producing (2)	15.0%	20.0%
1P	Undeveloped	30.0%	50.0%
Probable	Producing (1)	17.5%	25.0%
Probable	Behind Pipe	25.0%	40.0%
Probable	Non-producing (2)	25.0%	40.0%
Probable	Undeveloped	Excluded	Excluded
ARO	n/a	15%	10% multiplied by 1.2x

(1) Troika TA-3 present value determined using RADRs of 12.5-17.5% for proved reserves and 20.0-30.0% for probable reserves to reflect that the well is electively shut-in and currently has no mechanical risk to return-to-production ("RTP")
(2) Galapagos wells present value determined using RADRs of 17.5-25.0% for proved reserves and 30.0-40.0% for probable reserves to reflect the mechanical risk associated with repairing the loop system and RTP'ing certain wells

Deepwater Properties Reserve Value

Key Points

Set forth at right is the implied reserve value of NewCo's ***Deepwater Properties***

Implied Reserve Value

(in $ millions)	PV-X (Strip as of March 5, 2021)									Selected Range	
ResCat	**10.0%**	**12.5%**	**15.0%**	**17.5%**	**20.0%**	**25.0%**	**30.0%**	**40.0%**	**50.0%**	**Low**	**High**

(1) Includes Katmai #1
(2) Includes non-producing Genovesa, Santiago, and Santa Cruz wells and associated platform costs
(3) Low value assumes incremental $10mm capex (net) to bring online Galapagos wells
(4) The Probable BP ResCat reflects (i) the incremental reserves associated with Proved BP recompletion opportunities (positive incremental value); and (ii) the incremental discounting effect associated with BP reserves being "pushed out" to a later date in a 2P scenario (negative incremental value). As such, Probable BP reserves may reflect a negative PV even if the underlying recompletion opportunities are economic. Therefore, the valuation includes Probable BP negative values so long as Proved BP plus Probable BP is positive.
(5) High end of selected range reflects 120% risking of PV-10 value shown

Midpoint = $1,130mm

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Shelf Properties Reserve Value

Key Points

Set forth at right is the implied reserve value of NewCo's ***Shelf Properties***

Implied Reserve Value

(in $ millions)	PV-X (Strip as of March 5, 2021)									Selected Range	
ResCat	**10.0%**	**12.5%**	**15.0%**	**17.5%**	**20.0%**	**25.0%**	**30.0%**	**40.0%**	**50.0%**	**Low**	**High**

[redacted]

Midpoint = $180mm

(1) The Probable BP ResCat reflects (i) the incremental reserves associated with Proved BP recompletion opportunities (positive incremental value); and (ii) the incremental discounting effect associated with BP reserves being "pushed out" to a later date in a 2P scenario (negative incremental value). As such, Probable BP reserves may reflect a negative PV even if the underlying recompletion opportunities are economic. Therefore, the valuation includes Probable BP negative values so long as Proved BP plus Probable BP is positive.
(2) High end of selected range reflects 120% risking of PV-10 value shown; inclusive of state leases P&A

Operating Items Not Already Incorporated in Reserves Database

Key Points

In addition to the data included in the Revised MY-2020 ARIES Database, Houlihan Lokey incorporated certain other assets and liabilities—which are described below—into its analyses

Description	Valuation Considerations	Value Range ($mm)
[redacted]		

Expected NewCo Obligations

Key Points

Set forth on this page are estimated post-emergence Expected NewCo Obligations

Expected NewCo Obligations | $mm

	Low	High

[redacted]

Source: Expected NewCo Obligations Projections
(1) See "Fieldwood - WC Allocation - 02.3.21- 0115hrs.pdf"

Fieldwood Mexico Interest

Approach	Rep Level [1]	Illustrative Value Range

Source: FWM Model; WSJ article; strip pricing as of March 5, 2021
(1) Net of FWM 50% WI and FWE 10% equity interest

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G&A

Key Points

Set forth at right is the estimated PV burden of NewCo G&A [1]

- Based on both expensed and capitalized G&A

Item	$mm / year
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Illustrative G&A PV Burden | $mm

[redacted]

Memo: Discount rate range of 18%-25% consistent with the implied 2P Developed reserves discount rate range

(1) Excludes insurance costs

(2) PV determined through discount rate range of 18%-25% consistent with the implied 2P Developed reserves discount rate range

Insurance

Key Points

[redacted]

Illustrative Insurance PV Burden | $mm

[redacted]

Memo: Discount rate range of 18%-25% consistent with the implied 2P Developed reserves discount rate range

Description of Methodology

Precedent Transactions Approach

Key Points

The precedent transactions analysis estimates the value of a subject company by comparison to previously completed merger and acquisition and divestiture transactions (the “Selected Transactions”) involving companies or assets with characteristics similar to the subject company

Under this approach, the value of each Selected Transaction is commonly expressed as a multiple of key operating and asset metrics (e.g., cash flow or production)

The subject company’s value is then calculated by applying the Selected Transaction multiples to the subject company’s key operating and asset metrics

- To the extent the Selected Transactions relate to asset—rather than corporate—transactions, the subject company’s asset value is then adjusted by the present value burden of its corporate items (e.g., G&A expenses) to determine the enterprise value
- For purposes of the NewCo Enterprise Valuation, Houlihan Lokey focused on asset transactions and identified Selected Transactions based on their closing date, commodity price environment, geographic location, relative size, reserves characteristics and hydrocarbon composition, P&A profile, and other characteristics deemed relevant

Houlihan Lokey incorporated in its estimate of NewCo Enterprise Value: certain accounts payable and other obligations incurred by the Debtors and assumed by NewCo; including the items described on page 24 titled “Expected NewCo Obligations”

Implied NewCo Value

Precedent Transactions Approach

Key Points

Set forth at right is the NewCo Value implied by the Precedent Transactions approach

Other notes:

- Assumes Selected Transaction multiples already reflect property insurance costs

Implied NewCo Precedent Transaction Value | $mm

		Selected Multiple		Implied Value		
Metric / Item	Rep Level	Low	High	Low	High	Pg. Ref
[redacted]						31
						31
						31
						32
						32
						32
						23
						24
						25
						n/a
						26

Midpoint = $790mm

Source: NewCo Model

Selected Deepwater Precedents

Key Points

Set forth below are selected Deepwater precedent transactions, which are based on the following criteria:

- GoM Deepwater and multi GoM asset transactions
- Transactions announced since 1/1/2018 and subsequently closed
- Asset transaction consideration amounts shown below do not include incremental G&A required; i.e. buyer assumed not to incur incremental G&A

Selected Precedent Transactions

		Consideration			Operating Metrics			Adj. Multiples [1]		
Date	**Buyer / Seller**	**Cash + Equity**	**P&A [2]**	**Total**	**Production**	**% Liq.**	**EBITDA**	**Production**	**EBITDA**	**Comments**
		$mm	*$mm*	*$mm*	*mboepd*	*%*	*$mm*	*$ / boepd*	*x*	

[redacted]

Source: PLS
(1) As per PLS; based on Cash and Equity Consideration
(2) Reflects amount of P&A assumed in connection with transaction if disclosed; "N/A" means assumed P&A amount not disclosed

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Selected Shelf Precedents

Key Points

Set forth below are selected Shelf precedent transactions, which are based on the following criteria:

- Shelf and multi GoM asset transactions
- Transactions announced since 1/1/2018 and subsequently closed
- Asset transaction consideration amounts shown below do not include incremental G&A required; i.e. buyer assumed not to incur incremental G&A

Selected Precedent Transactions

[redacted]

Source: PLS
(1) As per PLS; based on Cash and Equity Consideration
(2) Reflects amount of P&A assumed in connection with transaction if disclosed; "N/A" means assumed P&A amount not disclosed

Description of Methodology

Publicly Traded Comparable Companies Approach

Key Points

The comparable company analysis estimates the value of a subject company by comparison to publicly traded companies (each, a "Selected Peer") with characteristics similar to the subject company

Under this approach, the enterprise value for each Selected Peer is determined by examining the trading price(s) of its equity securities and adding either the aggregate amount or market value of its outstanding net debt

- Such enterprise value is then commonly expressed as a multiple of key operating and asset metrics (e.g., EBITDA, production, and proved developed reserves)

The subject company's enterprise value is then calculated by applying the Selected Peer multiples to the subject company's key operating and asset metrics

- For purposes of the NewCo Enterprise Valuation, Houlihan Lokey identified Selected Peers based on their business plan, geographic location, reserves characteristics and hydrocarbon composition, profitability, cost profile, scale, and other characteristics deemed relevant

Houlihan Lokey incorporated in its estimate of NewCo Enterprise Value: certain accounts payable and other obligations incurred by the Debtors and assumed by the NewCo Entities; including the items described on page 24 titled "Expected NewCo Obligations"

Implied NewCo Value

Publicly Traded Comparable Companies Approach

Key Points

Set forth at right is the NewCo Enterprise Value implied by the Publicly Traded Comparable Companies approach

Assumes FWM Interest, FWE I TSA, and Farmout Agreement represent incremental value to what is reflected in Selected Peer multiples

Implied NewCo Comparable Companies Value | $mm

		Selected Multiple		Implied EV		
Methodology	Rep Level	Low	High	Low	High	Pg. Ref

[redacted]

Midpoint = $990mm

Selected Publicly Traded Comparable Companies

Key Points

Set forth at right are selected publicly traded GoM-focused peers

Selected Companies

	Stock	Market			Adj. EV / EBITDA			Adj. EV / Production			Adj. EV /
Company	Price	Cap.	EV	Adj. EV (1)	LTM (2)	2021E	2022E	LTM (2)	2021E	2022E	PD (3)
[redacted]											

Memo: 2021E and 2022E estimates reflect consensus analyst estimates as per CapIQ; pricing as of CapIQ as of March 5, 2021
(1) Adjusted EV based on Market Value of Debt
(2) LTM represents FY20 for Kosmos and W&T, and 3Q19 – 3Q20 for Talos
(3) MY-2020 Proved Developed reserves shown for Talos and W&T; YE 2019 reserves shown for Kosmos
(4) Kosmos reflects subsequent events to Q3-2020, including deficiency payment on RBL
(5) Talos reflects subsequent events to Q3-2020, including public offering of common stock and 2L notes offering

Selected Peer Considerations

		Adj. EV	GoM Exposure	% DW	Liquids Mix (%)
Subject	Fieldwood Energy	$1,030mm	100%	86%	82%
Comparables	Kosmos Energy	$3,374mm	42% —	100% ✓	96% ✓
Comparables	Talos Energy	$1,931mm	100% ✓	70% ✓	74% ✓
Comparables	W&T Offshore	$1,131mm	100% ✓	25% ✗	47% ✗
Considered but Excluded	Murphy Oil Corporation	$5,740mm	42% —	Mostly Deepwater in the GoM ✓	62% ✗

Source: Public company filings
Memo: Information as of March 5, 2021

Description of Methodology

FWE I NAV Approach

Key Points

As mentioned, the NAV analysis estimates the value of a subject company using the present value of the cash flows forecasted to be generated by its oil and gas reserves and other assets

For purposes of the FWE I Enterprise Valuation, Houlihan Lokey evaluated the cash flows (after necessary operating and capital expenditures) forecasted to be generated by FWE I's proved and probable reserve categories, and incorporated the effect of FWE I's P&A obligations

- Houlihan Lokey utilized: (i) the Revised MY-2020 ARIES Database, adjusted by Houlihan Lokey in coordination with Fieldwood for the items as described on page 79; as well as (ii) the P&A Detail File referenced on page 8

Consistent to the NewCo valuation, Houlihan Lokey calculated the present value of FWE I's cash flows using a range of discount rates that varied by reserve category (see page 42 for detail)

The FWE I Enterprise Value was then determined by incorporating various corporate expenses and other necessary operating items not already incorporated in the reserves database, including:

- G&A expenses
- Insurance costs
- Remaining items described on page 44 titled "Operating Items Not Already Incorporated in Reserves Database":
  - Facilities, R&M expense
  - Farmout Agreement

Implied FWE I Value

NAV Approach

Key Points

Set forth at right is the build-up to the FWE I Net Asset Valuation approach

Implied FWE I Net Asset Value | $mm

ResCat / Item	Implied Value Low	Implied Value High	Pg. Reference
[redacted]	[redacted]	[redacted]	43
[redacted]	[redacted]	[redacted]	44
[redacted]	[redacted]	[redacted]	46
[redacted]	[redacted]	[redacted]	45
[redacted]	[redacted]	[redacted]	44

(1) Assumes cash on hand is required to address working capital swings and is not incremental to FWE I Value

Utilized Discount Rates

Key Points

As mentioned, Houlihan Lokey used RADRs to calculate the present value of cash flows generated by FWE I's reserves

- Houlihan Lokey selected the RADRs based on its direct, first-hand experience negotiating with buyers and sellers of oil and gas assets and companies in the current environment
- RADRs were determined on ResCat by ResCat basis based upon underlying risk

Set forth below are the RADRs utilized herein:

ResCat		Low	High
1P	Producing	10.0%	15.0%
1P	Behind Pipe	15.0%	20.0%
1P	Non-producing	15.0%	20.0%
1P	Undeveloped	30.0%	50.0%
Probable	Producing	17.5%	25.0%
Probable	Behind Pipe	25.0%	40.0%
Probable	Non-producing	25.0%	40.0%
Probable	Undeveloped	Excluded	Excluded
ARO	n/a	15%	10% multiplied by 1.2x

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FWE I Properties Reserve Value

Key Points

Set forth at right is FWE I's implied reserve value

Implied Reserve Value

(in $ millions)

	PV-X (Strip as of March 5, 2021)									Selected Range	
ResCat	10.0%	12.5%	15.0%	17.5%	20.0%	25.0%	30.0%	40.0%	50.0%	Low	High

Midpoint = $270mm

Source: Revised MY-2020 ARIES Database

(1) The Probable BP ResCat reflects (i) the incremental reserves associated with Proved BP recompletion opportunities (positive incremental value); and (ii) the incremental discounting effect associated with BP reserves being "pushed out" to a later date in a 2P scenario (negative incremental value). As such, Probable BP reserves may reflect a negative PV even if the underlying recompletion opportunities are economic. Therefore, the valuation includes Probable BP negative values so long as Proved BP plus Probable BP is positive.

(2) Low end of selected range reflects 120% of PV-10 value shown

Operating Items Not Already Incorporated in Reserves Database

Key Points

Houlihan Lokey incorporated certain other FWE I operating items—which are described below—into its analyses

Description	Valuation Considerations	Value Range ($mm)

[redacted]

G&A

Key Points

Set forth at right is the estimated PV[1] burden of FWE I G&A [2,3]

Illustrative G&A PV Burden | $mm

Approach	Illustrative G&A Range

Source: FWE I Model
(1) Discount rate range of 10%-16% consistent with implied 2P Developed discount rate range applied to FWE I
(2) Excludes insurance cost
(3) Annual G&A is approximately $30-33mm

Insurance

Key Points

Set forth at right are several estimates of the PV burden of FWE I's estimated insurance

[redacted]

Illustrative Insurance PV Burden | $mm

Approach	Illustrative Insurance Range

[redacted]

Source: FWE I Model
Memo: Discount rate range of 10%-16% consistent with implied 2P Developed discount rate range applied to FWE I

Description of Methodology

FWE I Precedent Transactions Approach

Key Points

As mentioned, the precedent transactions analysis estimates the value of a subject company by comparison to previously completed Selected Transactions involving companies or assets with characteristics similar to the subject company

Under this approach, the value of each Selected Transaction is commonly expressed as a multiple of key operating and asset metrics (e.g., cash flow or production)

The subject company's value is then calculated by applying the Selected Transaction multiples to the subject company's key operating and asset metrics

- To the extent the Selected Transactions relate to asset—rather than corporate—transactions, the subject company's asset value is then adjusted by the present value burden of its corporate items (e.g., G&A expenses) to determine the enterprise value
- For purposes of the FWE I Enterprise Valuation, Houlihan Lokey focused on asset transactions and identified Selected Transactions based on their closing date, commodity price environment, geographic location, relative size, reserves characteristics and hydrocarbon composition, P&A profile, and other characteristics deemed relevant

Houlihan Lokey incorporated in its estimate of FWE I Enterprise Value the present value burden of: (i) G&A; and (ii) the Farmout Agreement

Precedent Transactions

Implied FWE I Value

Key Points

Set forth at right is the FWE I Value implied by the Precedent Transactions approach

Other notes:

- Assumes Selected Transaction multiples already reflect property insurance costs

Implied FWE I Precedent Transaction Value | $mm

	Selected Multiple	Implied Value

[redacted]

Selected Precedents

Key Points

Set forth below are precedent transactions selected based upon the following criteria:

- GoM asset transactions announced since 1/1/2018 and subsequently closed
- Transactions identified as having a high ratio of P&A to reserve value
- Limited dataset reflects few publicly announced "P&A deals"

Selected Precedent Transactions

		Consideration			Operating Metrics				Adj. Multiples [1]			
Date	Buyer / Seller	Cash + Equity	P&A [2]	Total [3]	Production	% Liq.	PD	EBITDA	Production	PD	EBITDA	Comments
		$mm	*$mm*	*$mm*	*mboepd*	*%*	*mmboe*	*$mm*	*$ / boepd*	*$ / boe*	*x*	
				A	B		C		A/B	A/C		

Source: PLS
(1) As per PLS; based on Total Consideration
(2) Reflects amount of undiscounted P&A assumed in connection with transaction if disclosed; "N/A" means assumed P&A amount not disclosed
(3) Total consideration is equal to Cash + Equity plus P&A

Description of Methodology

Residual Distributable Value Approach

RDV is determined by the value of (i) the membership interests of FWE I, FWE III, and FWE IV; and (ii) any cash remaining in the Claims Reserve, Plan Administrator Expense Reserve, and/or the Professional Fee Escrow (together, the "Reserve Accounts") after all claims / expenses have been satisfied

As described earlier herein, Houlihan Lokey determined that: (i) FWE I has no **inherent** value; (ii) FWE I's asset value could **potentially** exceed its P&A obligations and other liabilities depending upon a variety of factors; and (iii) that FWE I therefore does have **option** value

Houlihan Lokey determined that FWE III and its properties: (i) are substantially entirely shut-in and forecasted to generate de minimis, if any, production or cash flow prior to their decommissioning; and (ii) have **no inherent value and no option value**, and therefore do not contribute to RDV

Houlihan Lokey determined that FWE IV and its properties: (i) have immaterial production and are forecasted to generate de minimis, if any, cash flow prior to their decommissioning; and (ii) have **no inherent value and no option value**, and therefore do not contribute to RDV

For purposes of this analysis, Houlihan Lokey assumed that the amount of cash funded into each of the Reserve Accounts is not greater than the amount of payments made in respect of the applicable claims and, therefore, that RDV is not impacted by these reserves and escrows

As a result of the above considerations, Houlihan Lokey used a Black-Scholes analysis to estimate the option value of FWE I and, by extension, the RDV of the Post-Effective Date FWE Parent

RDV Assumptions | More fully described at left

FWE I	▪ Valued using Black-Scholes analysis
FWE III	▪ No inherent value and no option value given substantially all of the properties are shut-in and are forecasted to generate *de minimis*, if any, production or cash flow prior to decommissioning ▪ See page 62 for detail
FWE IV	▪ No inherent value and no option value given properties have immaterial production and are forecasted to generate *de minimis*, if any, cash flow prior to their decommissioning ▪ See page 64 for detail
Claims Reserves	▪ Assumes no residual cash
Plan Admin. Expense Reserve	▪ Assumes no residual cash
Professional Fee Escrow	▪ Assumes no residual cash

Scope of Analysis

Key Points

Set forth at right is an illustration of the RDV

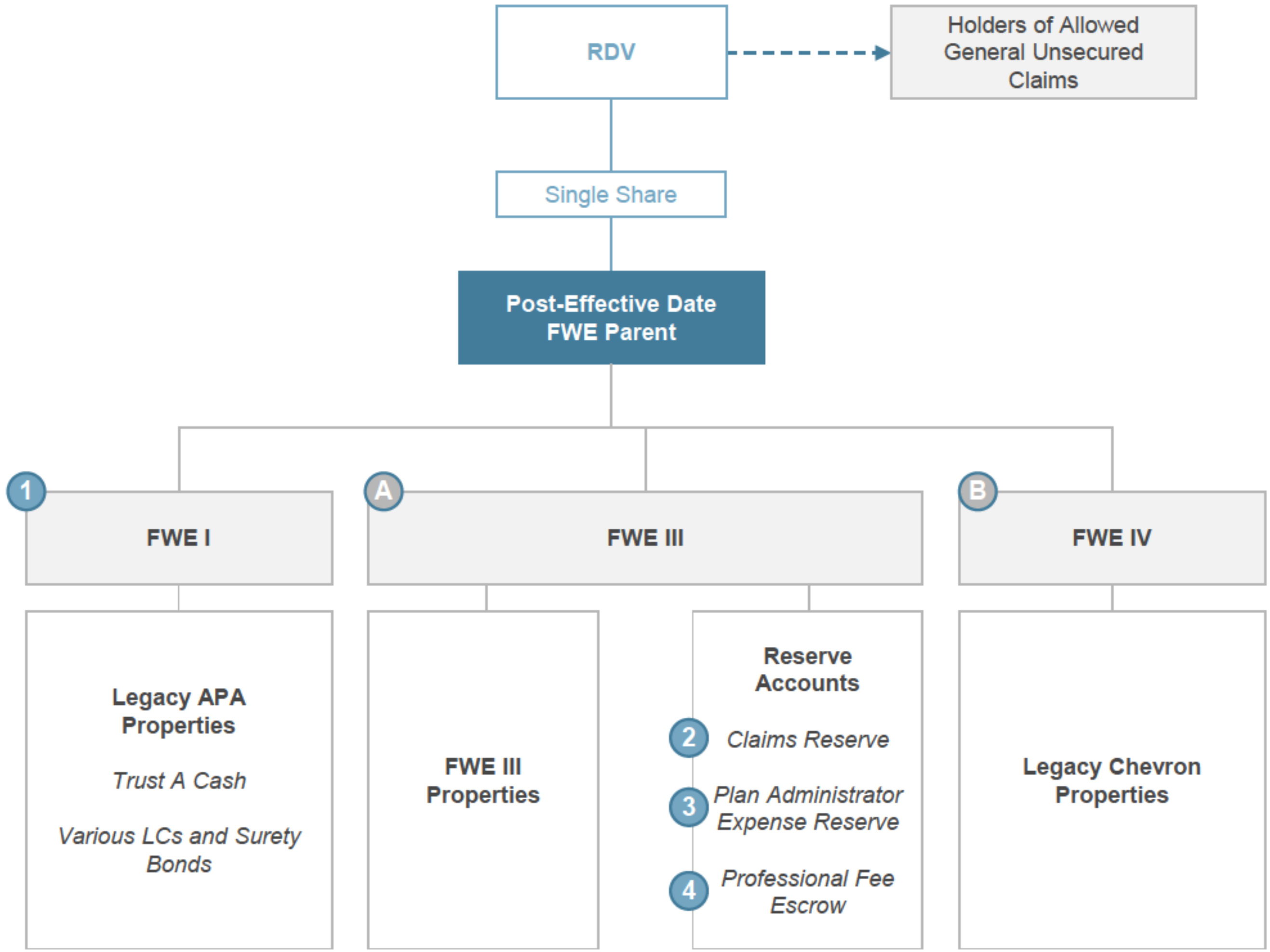
RDV is equal to:

1. FWE I asset option value; plus
2. Claims Reserve residual cash (if any); plus
3. Plan Administrator Expense Reserve residual cash (if any); plus
4. Professional Fee Escrow residual cash (if any)

Houlihan Lokey determined that the following entities do not have option value and do not contribute to RDV:

- A. FWE III
- B. FWE IV

Illustrative Schematic



Black-Scholes Input Overview

Set forth below are the key inputs used in the Black-Scholes analysis of FWE I / RDV

Input	Description	Input	*Page Reference*

[redacted]

A Underlying Asset Value

Key Points

Set forth below is the calculation of the Underlying Asset Value input used in the Black-Scholes analysis

- Based on the FWE I NAV, adjusted: (i) to add back discounted P&A; and (ii) to reflect the more limited development plan FWE I is anticipated to pursue
- NAV Approach utilized to establish consistent basis for the "Development Plan Adjustments" set forth below

Black Scholes Input Calculation | $mm

	Low	Mid	High	Comments

[redacted]

(1) Assumes FWE I behind pipe value only to the extent opportunity meets three criteria: (i) operated by NewCo, (ii) NPV-17.5 / CapEx ratio >2.5x, and (iii) PV-17.5% >$10mm
(2) Assumes FWE I non-producing reserve value only to the extent opportunity has PV-17.5 >$10mm and a payback <12 months

B Strike Price

Key Points

Set forth below is the calculation of the Strike Price input used in the Black-Scholes analysis

- Based on P&A costs discounted at risk-free rate [(1)], reduced by estimated financial assurance available to address P&A costs
- P&A estimates in-line with schedule discussed with APA; subject to change

Black-Scholes Input Calculation | $mm

	Low	Mid	High	Comments

(1) See page 78 for ARO schedule; "Low" end of selected range reflects (i) 120% multiplied by (ii) FWE I P&A discounted at risk-free rate
(2) May not tie to the FWE I projections set forth on page 77, which reflect adjustments related to the passage of time; updating this item does not have a material impact on the RDV
(3) Assumes minimum cash of $75mm for illustrative purpose; projected cash balances may differ; to the extent necessary, liquidity support to be provided by the Standby Credit Facility

C Volatility

Key Points

Set forth at right is the calculation of the Volatility input used in the Black-Scholes analysis

- Determined by analyzing historical volatility of: (i) WTI; and (ii) selected publicly traded peers

Black-Scholes Input Determination | %

	3 Year Volatility	5 Year Volatility	7 Year Volatility

Source: EIA for WTI prices; CapIQ for publicly traded peers
(1) Excludes March-April 2020 spot prices due to COVID-related trading volatility
(2) Talos' initial public offering occurred within the volatility time frame, precluding a comparably volatility estimate

D Duration

Key Points

Set forth at right is the calculation of the Duration input used in the Black-Scholes analysis

- Determined by analyzing the weighted-average remaining economic life of producing reserves
- Excludes production associated with fields that are shut-in and not anticipated to RTP

Black-Scholes Input Determination

	Total Production (MMboe)	Average Life (Years)

(1) *Based on production-weighted average; includes PDP and two behind pipe opportunities that are expected to be developed (Grand Isle 116 and South Marsh Island 48)*

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Implied FWE I Option Value

Key Points

Set forth at right is the implied FWE I option value based on the aforementioned inputs

Option Value Calculation

	Low	Mid	High

Memo: Black Scholes formula in mathematical notation shown below

$C = S_t \times N(d_1) - K \times e^{-rt} \times N(d_2)$, *where:* $d_1 = \frac{\ln\left(\frac{S_t}{k}\right) + \left(r + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}$ and $d_2 = d_1 - \sigma\sqrt{t}$, where: *C* = option value; *S* = underlying value*; K* = strike price*; r* = risk-free rate*; t* = duration*; N* = normal distribution*;* σ *= variance (square of volatility)*

Residual Distributable Value Summary

Key Points

Set forth below is a summary of the RDV

RDV Build-Up | $mm

	Low	Mid	High	Comments

[redacted]

FWE III Properties

Implied Reserve Value

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Key Points

Houlihan Lokey estimated the value of FWE III using an NAV Approach

- Given substantially all of the FWE III properties are shut-in and forecasted to generate *de minimis*, if any, production prior to decommissioning, FWE III is assumed to have no reserve value
- Houlihan Lokey did not incorporate G&A expenses or other corporate items because it is anticipated that the Plan Administrator will engage one or more of the NewCo Entities to decommission the FWE III properties
- Houlihan Lokey did not utilize the Precedent Transactions or Publicly Traded Comparable Companies approaches due to the fundamental differences of FWE III as described above

Implied Reserve Value

(in $ millions)	PV-X (Strip as of March 5, 2021)									Selected Range	
ResCat	**10.0%**	**12.5%**	**15.0%**	**17.5%**	**20.0%**	**25.0%**	**30.0%**	**40.0%**	**50.0%**	**Low**	**High**

Source: MY-2020 ARIES Database, P&A Detail File
(1) High end of selected range reflects 120% risking of PV-10 value shown; FWE III P&A timing adjusted to reflect decommissioning within 1-2 years (per management guidance)

FWE IV Properties

Implied Reserve Value

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Key Points

Houlihan Lokey estimated the value of FWE IV using an NAV Approach

- The FWE IV properties have immaterial production and are forecasted to generate *de minimis*, if any, cash flow prior to their decommissioning
- Houlihan Lokey did not reflect separately allocated G&A expenses or other corporate items because, pursuant to the Plan, the costs to safe-out and maintain the FWE IV properties are to be addressed by: (i) the Debtor's $5mm cash contribution to FWE IV pursuant to the Chevron Term Sheet; and (ii) CUSA funds
- Houlihan Lokey did not utilize the Precedent Transactions or Publicly Traded Comparable Companies approaches due to the fundamental differences of FWE IV as described above

Implied Reserve Value

(in $ millions)	PV-X (Strip as of March 5, 2021)									Selected Range	
ResCat	**10.0%**	**12.5%**	**15.0%**	**17.5%**	**20.0%**	**25.0%**	**30.0%**	**40.0%**	**50.0%**	**Low**	**High**

Source: MY-2020 ARIES Database, P&A Detail File
Memo: P&A associated with Swordfish / Neptune Spar is not included; estimated P&A is approximately $78.7mm and there is no associated value with this asset
(1) Low end of selected range reflects 120% of PV-10 value shown; ARO figures are net of receivables

Valuation Update Considerations

In connection with preparing the Expert Report, Mr. Hanson considered whether his opinion regarding NewCo Enterprise Value, FWE I Enterprise Value, RDV, FWE III value, and / or FWE IV value as of March 2021 would change as a result of any information updates and / or the “passage of time”

Specifically, Mr. Hanson considered the effect of the following items, among others:

- The YE-20 ARIES Database
- April 1, 2021 strip pricing
- July 1, 2021 valuation date and Plan effective date
- The Trust A NPI

Mr. Hanson determined that the aforementioned roll-forward of information and time do not have a material impact on his opinions

Set forth on the following slides are comparisons of (a) the Expert Report and (b) a hypothetical updated valuation

Reconciliation Summary

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Description	[redacted]
Pricing	[redacted]
Effective Date	[redacted]
Reserves Database	[redacted]
Key Timing Adjustments (1	[redacted]
Valuation Considerations	[redacted]
NAV	[redacted]
Precedent Transactions	[redacted]
Trading Comps	[redacted]
Net Profit Interest ("NPI")	[redacted]

(1) FWE I included various timing adjustments to certain projects in the Revised YE-2020 ARIES Database, but no single project was material

NewCo Valuation Comparison

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Expert Report

Hypothetical Update

Approach	Illustrative NewCo Value	Implied Midpoint	Key Changes
	$mm		*$mm*
NAV			
Precedent Transactions			
Publicly Traded Comparables			
Implied Range			

FWE I Valuation Comparison

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Expert Report

Hypothetical Update

Approach	Illustrative FWE I Value	Implied Midpoint	Key Changes
	$mm	*$mm*	*$mm*
NAV			
Precedent Transactions			
Implied Range			

NewCo Rig Line / Development Plan

Rig Line [1]

(1) *Consistent with development plan reflected in the NewCo Projections as of March 2021*

NewCo Model and Reserves Database Utilized

Key Points

Set forth below are the key files used in HL’s valuation of NewCo

- NewCo Model basis for financial projections and Rep Levels for market-based valuation approaches
- Revised MY-2020 ARIES Database basis for NAV approach

NewCo Projections

Unlevered 5 Year Forecast

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Projections | March 5, 2021 Strip Pricing

	Specified Deepwater Properties				Specified Shelf Properties				NewCo					
	Fiscal Year Ending				Fiscal Year Ending				Fiscal Year Ending					
	2021	2022	2023	2024	2021	2022	2023	2024	May – Dec 2021	2021 (1)	2022	2023	2024	2025
Reference														

Source: NewCo Model, FWM Model

(1) Excludes partial year post effective date items of: (i) hedges, (ii) change in NWC, and (iii) Expected NewCo Obligations; (2) Includes Hydrocarbon and PHA revenue; (3) Specified Shelf Properties G&A reflects the incremental G&A required to operate such properties assuming they are included in NewCo; i.e., does not reflect the G&A that would be required to operate such properties on a standalone basis separate and apart from NewCo; (4) Includes specified state leases

NewCo Projections

Levered 5 Year Forecast

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NewCo 5 Year Forecast | Levered Cash Flow ($mm)

	May – Dec 2021	2022	2023	2024	2025

[redacted]

Reflects NewCo model on 3/5/2021 strip pricing

(1) May - Dec 2021 leverage metrics are based on annualized EBITDA

FWE I Projections

5 Year Forecast

Key Points

Set forth at right are FWE I forecasted cash flows

- Forecasted P&A spend determined by available cash flow
- Anticipated that additional P&A costs will be incurred to address ARO pursuant to the Decommissioning Agreement, funded by access to Trust A cash

FWE I 5 Year Forecast | Cash Flow ($mm)

	May - Dec 2021	2022	2023	2024	2025

[redacted]

Memo: Reflects FWE I Model on 3/5/2021 strip pricing
(1) Assumed to be drawn on the Effective Date
(2) Excludes Trust A cash among other liquidity available under the APA definitive documents

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FWE I P&A Schedule

Key Points

Set forth below is additional detail regarding the P&A schedule assumed herein

- Reflects FWE assumptions in-line with schedule discussed with APA
- Incorporates additional P&A costs that will be addressed pursuant to the Decommissioning Agreement funded by access to Trust A cash

Forecasted P&A Schedule

	Q3-Q4 2021	2022	2023	2024	2025	2026	2027+	Total
P&A Amount ($mm) *(Cumulative $mm)*								
P&A Amount (%) *(Cumulative %)*								
# Wells Decommissioned								
# Pipelines Decommissioned								
# of Platforms / Structures Decommissioned								

Source: FWE I Model; P&A Detail File

(1) ~$1,154mm discounted at the Risk-Free Rate is ~$1,065mm (referenced on page 56)

FWE I Model and Reserves Database Utilized

Key Points

Set forth below are the key files used in the Expert Report

- FWE I Model basis for financial projections and rep levels for market-based valuation approaches
- Revised MY-2020 ARIES Database basis for NAV approach

(1) In coordination with Fieldwood, Houlihan Lokey adjusted the MY-2020 ARIES Database to appropriately reflect which properties are currently shut-in (versus what was initially in the database)

HOULIHAN LOKEY

CORPORATE FINANCE
FINANCIAL RESTRUCTURING
FINANCIAL AND VALUATION ADVISORY

HL.com

Exhibit 2

HOULIHAN LOKEY

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Rebuttal Report of John-Paul Hanson in Response to Expert Report of Geoffrey G. Roberts

FIELDWOOD ENERGY LLC

CASE NO. 20-33948 | TEXAS SOUTHERN DISTRICT | JUDGE MARVIN ISGUR

MAY 24, 2021 | HIGHLY CONFIDENTIAL

Disclaimer & Non-GAAP Financial Measures

The estimates of value set forth herein are not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein depending on the results of the Debtors' operations, changes in the financial markets, or changes to the regulatory framework. Additionally, these estimates of value represent hypothetical enterprise and equity values, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. Such estimates were developed solely for purposes of formulation and negotiation of the Plan and analysis of implied relative recoveries to creditors thereunder. The value of an operating business such as the Debtors' businesses is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such businesses.

Houlihan Lokey's estimated valuation range does not constitute a recommendation to any holder of Allowed Claims or Interests as to how such person should vote or otherwise act with respect to the Plan. The estimated values set forth herein do not constitute an opinion as to the fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan. Because valuation estimates are inherently subject to uncertainties, none of the Debtors, Houlihan Lokey or any other person assumes responsibility for their accuracy or any differences between the estimated valuation ranges herein and any actual outcome.

Non-GAAP Financial Measures

In this presentation, we present certain financial measures that are not presented in accordance with U.S. generally accepted accounting principles ("GAAP"), including "EBITDA" and "free cash flow."

EBITDA is a non-GAAP financial performance measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We define EBITDA as net income (loss) before interest expense; unrealized derivative expense; reorganization items and charges; income taxes; accretion expense, depreciation, depletion and amortization; non cash general and administrative expense; certain other n on cash items and certain other non recurring expenses. EBTIDA for the Mexico financial results is defined as Cost Recovery plus Contractor Profit Share less Operating Expenses, G&A and other cash administrative items. We believe EBITDA is a useful performance measure because it allows us to more effectively evaluate our operating performance and compare the results of our operations from period to period against our peers without regard to our financing methods or capital structure. We exclude the items listed above from net income (loss) in arriving at EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Certain items excluded from EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's capital and tax structure, as well as historical costs of depreciable assets, none of which are components of EBITDA. Our presentation of EBITDA should not be construed as an inference that our results will be unaffected by unusual or non recurring items. Our computations of EBITDA may not be comparable to other similarly titled measures of other companies. EBITDA is not a measure of net income (loss) as determined according to GAAP and should not be considered an alternative to, or more meaningful than, net income (loss) as determined in accordance with GAAP. Please see the appendix to this presentation for a reconciliation of EBITDA to net income (loss), our most directly comparable financial measure calculated and presented in accordance with GAAP.

Free cash flow and operating margin are supplemental non GAAP financial measures that are used by management and external users of our financial statements in assessing our ability to pursue business opportunities and investments, assessing our profitability and measuring our performance as compared to our peers. We define free cash flow as EBITDA less capital expenditures; P&A; capitalized G&A; cash interest expense; trust contributions and other contractual payments. We define operating margin as the percentage of our EBITDA that is attributable to our total revenue. Please see the appendix to this presentation for a reconciliation of free cash flow to net income (loss), our most directly comparable financial measure calculated and presented in accordance with GAAP.

Introduction

On April 21, 2021, the Debtors produced the *Expert Report of John-Paul Hanson* (the "Hanson Report")

On May 10, 2021, BP Exploration & Production Inc. ("BPEP") produced the *Rebuttal Report of Geoffrey G. Roberts, PE in response to Expert Report of John-Paul Hanson* (the "Roberts Report")

This rebuttal report (the "Hanson Rebuttal") responds to the Roberts Report and identifies the material flaws, inaccuracies, and omissions therein

In summary:

(i) I do not agree with the assertions presented in the Roberts Report; and

(ii) I do not believe it is necessary or appropriate to revise the conclusions set forth in the Hanson Report

BPEP did not produce the Roberts Report source information and underlying analysis until May 20, 2021, ten days after the Court-mandated production deadline

- As a result, I did not have adequate time to perform a detailed reconciliation of (i) the BSEE P&A estimates cited in the Roberts Report and (ii) FWE's P&A estimates
- I believe such reconciliation would have provided further support for the points made in this Hanson Rebuttal, but I do not believe it would change the conclusions set forth in the Hanson Report or Hanson Rebuttal

This report contains my current views and it is possible that additional information will be made known which may raise additional arguments and issues. This report is not intended to be a recital of all arguments that might be brought forth by the Debtors at trial

I reserve the right to supplement the opinions, analyses, and conclusions presented in this Hanson Rebuttal based on (i) an adequate opportunity to review the Roberts Report source information and underlying analyses produced on May 20, 2021 and (ii) subsequently obtained information, including but not limited to, any objections, testimonies, reports of other experts and new market information

I further reserve the right to create additional exhibits to the Hanson Rebuttal, as appropriate

I declare that the following report is true and correct to the best of my knowledge, information, and belief

5/24/21

John-Paul Hanson
Managing Director
Head of Oil & Gas Group
HOULIHAN LOKEY CAPITAL INC.

Date

Information Considered

Set forth below are documents that Mr. Hanson (or others under his supervision) considered for the Hanson Rebuttal

Key Points

Mr. Hanson received all requested information from the Debtors (to the extent available)

Furthermore, Mr. Hanson had access to and consulted with various employees at the Debtors to address any questions related to topics covered in the Hanson Rebuttal

Information Considered (1)

A. Probable Reserves Files

1 W&T Investor Presentation.pdf
2 Petroleum_Resources_Management_System_2007.pdf
3 Guidelines-Evaluation-Reserves-Resources-2001.pdf
4 KOS.RBC_2020.08.04.pdf (2)
5 KOS.RBC_2020.09.09.pdf (3)

B. P&A Files

1 Slide Ideas.pptx
2 NewCo Lease Liability_v7.xlsx
3 Fwd P&A Questions.msg
4 Bullwinkle Abandonment.pdf
5 Well Abandonment.xlsx
6 https://www.boem.gov/
7 HIGHLY CONFIDENTIAL FWE NewCo - ARO Summary.pdf (Produced by BPEP on May 20, 2021)
8 HIGHLY CONFIDENTIAL FWE NewCo - ARO Summary.xlsx (Produced by BPEP on May 20, 2021)

C. Other Sources of Information

1 https://www.spe.org/en/industry/petroleum-reserves-definitions/
2 https://www.eia.gov/tools/glossary/

(1) This list is not exhaustive; 'information considered' to be supplemented with the information listed in the Hanson Report
(2) Information cited in the Roberts Report but not produced by BPEP
(3) Supplements information previously produced (see FWE-0037138)

Mr. Hanson's Extensive Offshore E&P Experience

Mr. Hanson has substantial offshore E&P transaction and valuation experience

On the other hand, Mr. Roberts did not disclose any relevant offshore E&P experience in the Roberts Report

Key Points

- Mr. Hanson has advised on more than 10 offshore E&P transactions in the past 7 years
  - In contrast, Mr. Roberts did not identify any relevant offshore E&P experience in the Roberts Report
- The Hanson Report's treatment of Probable reserves and P&A obligations is consistent with Mr. Hanson's direct experience as a financial advisor in relevant M&A, A&D, Capital Markets Financing and Financial Restructuring transactions and the application of reserves categorizations and fair market valuation methodologies in current market practices
- Furthermore, Mr. Hanson has been qualified as an expert on valuation in several venues, including the United Stated Bankruptcy Court for the Southern District of Texas, Houston Division

Mr. Hanson's Selected Offshore E&P Transaction Experience

Summary of Mr. Roberts' Assertions & Mr. Hanson's Responses

The Roberts Report makes two main assertions regarding the Hanson Report:

- Assertion #1: The Hanson Report incorrectly attributes significant value to Probable reserves
- Assertion #2: The Hanson Report fails to properly account for ARO

Each of Mr. Roberts' assertions is incorrect:

- Set forth below and on page 7 are summaries of Mr. Hanson's responses to Assertion #1 and Assertion #2, respectively
- Set forth on the following pages is additional detail supporting Mr. Hanson's responses

Mr. Roberts' Assertion #1: re Probable Reserves

	Mr. Roberts' Statements	Mr. Hanson's Response
Assertion #1	▪ Hanson Report incorrectly attributes significant value to Probable reserves	▪ Disagree. It is appropriate to **include** value for Probable reserves in offshore E&P valuations ▪ No change necessary to the conclusions set forth in the Hanson Report
Supporting Points	(A) Current market practices attribute little to no value to Probable reserves	▪ Disagree. Current market practices do attribute value to Probable reserves in offshore E&P assets ▪ Mr. Hanson has substantial offshore E&P experience and has firsthand understanding of current market practices ▪ The Roberts Report citations actually **support** the Hanson Report by validating the inclusion of value for Probable reserves ▪ Mr. Roberts appears to have conflated (a) Probable reserves with (b) exploration opportunities, and therefore arrived at a false conclusion

Summary of Mr. Roberts' Assertions & Mr. Hanson's Responses (cont.)

Mr. Roberts' Assertion #2: re P&A Estimates

	Mr. Roberts' Statements	Mr. Hanson's Response
Assertion #2	▪ Hanson Report fails to properly account for ARO ▪ Hanson Report meaningfully underestimates ARO and meaningfully overestimates value of Debtor Entities	▪ Disagree. The Hanson Report properly accounts for ARO ▪ No change necessary to the conclusions set forth in the Hanson Report

Supporting Points	B BSEE P&A estimates are accurate and up-to-date	▪ Disagree. BSEE estimates are less precise and less accurate than FWE estimates of the FWE-owned assets
		▪ BSEE estimates omit the effect of certain FWE commercial agreements that allocate P&A responsibility to parties other than FWE
		  ▪ For example, BSEE estimates incorrectly attribute ~$226mm of Bullwinkle related P&A to FWE even though third-parties are responsible for substantially all associated P&A
		▪ BSEE estimates have a conservative bias
		  ▪ Their purpose is to minimize / eliminate tax payer risk
		  ▪ Therefore, BSEE estimates are intended to reflect "worse case" / highest cost estimates in the event there is a liquidation of an operator and no predecessor or other financial assurance to offset
		  ▪ BSEE estimates are **not** intended to reflect the most likely cost to actually perform P&A

	C FWE P&A estimates are unreliable	▪ Disagree. FWE estimates represent the most accurate estimate of FWE P&A ▪ FWE P&A estimates are based on a detailed, bottom-up analysis of FWE's specific infrastructure / properties ▪ FWE P&A estimates are prepared by FWE's decommissioning team, which is the most experienced decommissioning team in the Gulf of Mexico
	D The Roberts Report includes a number of other statements in opposition to the Hanson Report	▪ Each of these statements is inaccurate and is rebutted later (see page 15)

A Probable Reserves Value

Roberts Report Citations

Mr. Roberts asserts that current market practices attribute little to no value to Probable reserves

- This is incorrect and, in fact, is contradicted by his own citations
- Column 1 below reflects the citations included in the Roberts Report
- Column 2 below reflects additional citations from the same research reports, which demonstrate that it **is** current market practice to attribute value to Probable reserves

Report	Column 1: Mr. Roberts' Excerpts	Column 2: Additional Excerpts From Same Research Reports
RBC re: Kosmos **(as of 9/9/20)**	"Net of **exploration drilling costs** the assets [related to **wildcat exploration in frontier basins**] contributed a few tens of millions of dollars to our Total NAV, but with investors focused more on Tangible NAVs we would say that there is nothing in the share price for these assets" – *Page 2*	"Our PV10% **includes** […] Tangible NAV of $1.38/share, which is built upon **2P reserves** in Ghana, Equatorial Guinea, the US GoM […]" – *Page 7* - *HL Comment: Per traditional reserves categorizations, 2P reserves represent the sum of (i) Proved reserves and (ii) Probable reserves; "exploration upside" is resource value in addition to 2P reserves*
BMO re: Kosmos **(as of 9/9/20)**	"We gave no credit for **exploration potential** so reflecting $100 million of proceeds increases our NAV to $4.65/sh" – *Page 1*	"We use a NAV approach to our E&P valuations […] based on the total resources (**normally proved and probable reserves**)." – *Page 5* "We also **include a risked exploration upside** element, which is based on recoverable volumes, adjusted for the perceived risk of the prospect" – *Page 5* - *HL Observation: This excerpt not only supports value for Probable reserves, but it even supports value for exploration upside ("exploration upside" is resource value in addition to 2P reserves), further contradicting Mr. Roberts' assertion*
RBC re: Kosmos **(as of 8/4/20)**	"The market is generally allocating little or **no value to exploration**; consequently, our price targets are typically derived from our tangible NAVs" – *Page 7*	"Our PV10% **includes** […] Tangible NAV of $1.38/share, which is built upon **2P reserves** in Ghana, Equatorial Guinea, the US GoM […]" – *Page 7*
Deutsche Bank re: Cobalt and Kosmos **(as of 12/5/11)**	"In a general sense, we only value **prospects** which will be drilled in the next 12-18 months" – *Page 6* "With a core valuation (proved reserves + discovered/appraisal volumes) of $12.84/sh, **very little exploration success is priced into the stock**" – *Page 27*	"Our price target for Kosmos Energy is based on our Net Asset Value (NAV) model, composed of […] the estimated present value of the company's proved reserves, **discovered 2P reserves**, the **risked value of near-term future exploration** (based on risked mean reserves estimates), plus the value of future assets and liabilities (ie. Net debt)." – *Page 22* - *HL Observation: This excerpt not only supports value for Probable reserves, but it even supports value for exploration upside ("exploration upside" is resource value in addition to 2P reserves), further contradicting Mr. Roberts' assertion*

Memo: See page 9 in the Roberts Report for reference
Memo: Several research reports cited in the Roberts Report (MKM Partners (as of 3/11/21), MKM Partners (as of 11/11/20), and Morgan Stanley (as of 4/30/08)) do not address / do not contradict the inclusion of Probable reserves in NAV valuations

Ⓐ Probable Reserves Value

Distinction Between Probable Reserves & Exploration Opportunities

For reference, this page summarizes the difference between (i) Probable reserves and (ii) exploration opportunities

- Mr. Roberts appears to have conflated these two very different concepts

	Definition	Treatment in Hanson Report
Probable Reserves	▪ *"Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are **more likely than not to be recoverable**"* (Per SPE) [1] ▪ Per traditional reserves categorization, (i) Proved (or 1P) reserves reflect volumes of hydrocarbons expected to be recovered (i.e. produced) with a 90% or greater probability or confidence level; (ii) Probable (or 2P) reserves reflect volumes of hydrocarbons expected to be recovered (i.e. produced) with a 50% or greater probability or confidence level	▪ The Hanson Report **includes** value for Probable Reserves
Exploration Opportunities	▪ An exploratory well is "*a hole drilled […] to find and produce oil or gas in an area **previously considered unproductive***" (Per EIA) [2] ▪ "***Prospecting for undiscovered petroleum***" (Per SPE) [1]	▪ The Hanson Report does **not include** value for exploration opportunities

(1) SPE = Society of Petroleum Engineers
(2) EIA = Energy Information Administration

Ⓐ Probable Reserves Value

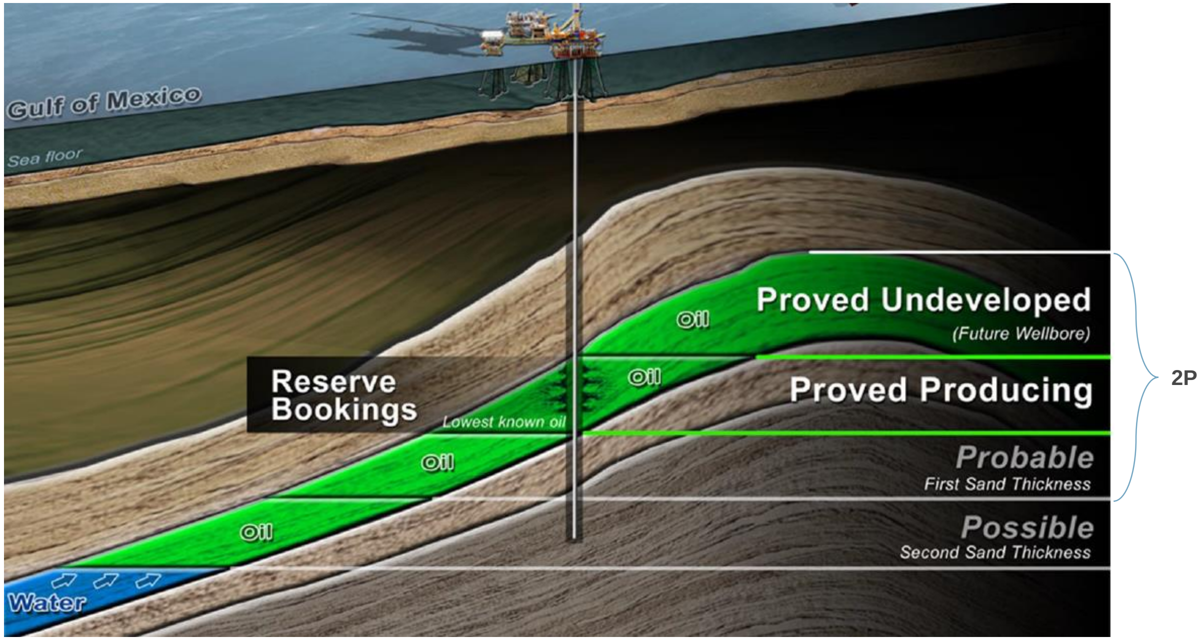
Illustration

Key Points

Set forth at right is an illustration of the type of Probable reserves that were included in the Hanson Report

- The included Probable reserves are generally "extension cases" associated with already producing well bores
- As indicated on the preceding page, Probable reserves are "more likely than not" to be recoverable

Reserve Schematic



Source: W&T investor presentation

B P&A Estimates

Case Study

Key Points

Mr. Roberts asserts that BSEE P&A estimates are more accurate and more reliable than FWE estimates

Mr. Roberts' assertion is incorrect

- BSEE estimates omit the effect of working interest allocations and other certain FWE commercial agreements that allocate P&A responsibility to parties other than FWE
- For example, BSEE estimates incorrectly attribute ~$226mm of Bullwinkle-related P&A to FWE even though third-parties are responsible for substantially all associated P&A

Case Study: Bullwinkle P&A Estimates

	Actual Responsibility / FWE Estimates	BSEE Estimates
FWE's Responsibility	▪ **No** responsibility for platform ▪ 5 dry tree wells ▪ 2 pipelines	▪ BSEE estimates include infrastructure where FWE has no contractual liability ▪ Inaccurately includes responsibility for platform and associated infrastructure ▪ Inaccurately includes 34 dry tree wells (instead of 5 for which FWE has actual responsibility)
Net P&A Estimates	▪ ~$6mm	▪ ~$226mm (Deterministic) (1)

(1) Per McDonough Report Working Papers, "HIGHLY CONFIDENTIAL FWE NewCo -ARO Summary.xlsx"

B P&A Estimates

Additional Observations

Set forth below are additional reasons BSEE estimates are **less** reliable than FWE estimates

	Description of BSEE Estimates	Issues With / Observations Regarding BSEE Estimates [(1)]
Data Integrity	▪ BSEE's method of collecting, aggregating, and applying data through its algorithm leads to meaningful inaccuracies ▪ BSEE's Deepwater data set is fairly limited	▪ BSEE's P&A estimates include many 'double counts' and overlapping interest owners in chain-of-title (e.g., related to oil pipelines and associated protective pipeline casings) ▪ Lack of comparability (e.g., J. Bellis P&A is a good proxy for Troika P&A, but BSEE uses different data sets to estimate P&A for those fields)
Generalizations	▪ BSEE applies its data set without considering certain key asset-specific details	▪ For example, FWE believes that BSEE assumes P&A costs increase linearly with water depth; however, water depth is actually a relatively small driver of P&A costs ▪ Another example: BSEE estimates do not recognize that very short "jumper" pipelines can be decommissioned in a much more economical / efficient way than "traditional" pipelines; as a result, BSEE estimates for jumper P&A are unnecessarily elevated
Methodology	▪ BSEE generally takes a more conservative approach in forecasting P&A liabilities than FWE	▪ For example, BSEE estimates include full P&A for fields that have already partially initiated the P&A process and therefore a significant portion of the permanent P&A expenses have already been incurred, however BSEE does not net the portion completed ▪ BSEE estimates reflect "the cost that the U.S. taxpayer would potentially incur in cases, such as bankruptcy," i.e., akin to what a "worst case scenario" would be where the operator is no longer solvent, there are no predecessors in chain-of-title and / or no other financial assurance

(1) The list is not exhaustive and merely attempts to describe examples identified in BSEE's public database

Ⓒ P&A Estimates

Accuracy of FWE Estimates

The Roberts Report states that FWE P&A estimates are unreliable (1)

- In fact, FWE estimates are thoughtfully prepared, based on actual analogous expenses, and are accurate assessments of actual to-be-incurred P&A costs
- Set forth below is a comparison of the basis for FWE's estimates and BSEE's estimates

	FWE Estimates	BSEE Estimates
Dedicated Decommissioning Team	▪ ~88 employees	▪ None actually performing decommissioning
Decommissioning Experience	▪ Decommissioned >400 platforms, >450 pipelines, and >1,230 wells for >$1.5bn since H2 2013	▪ BSEE does not actually **perform** decommissioning
Purpose of Estimates	▪ Generally 'realistic estimates' to allow for proper financial planning	▪ Generally 'worst case', 'conservative estimates' intended to minimize risks for tax payers ▪ Assumes BSEE contracts with vendors, not operators (i.e., higher costs) ▪ Estimates tend to be higher than numbers prepared by operators
Estimation Approach	▪ Fundamental, bottom-up approach on specific FWE-owned assets ▪ Based on actual cost information from historical FWE decommissioning ▪ Accounts for all asset-specific details, such as time to plug, remove and / or abandon and size of structures ▪ Properly reflects contractual relationships that impact estimates	▪ 'Broad strokes' approach; data not tailored to FWE's asset-specific characteristics ▪ Based on algorithm (estimates at difference confidence levels: P50, P70, and P90) ▪ Selective estimates (significantly higher than FWE's) ▪ Details of approach and calculations are not transparent
Review of Estimates	▪ P&A estimates reviewed by FWE's accounting auditor (Ernst & Young) annually in connection with the audit of the financial report ▪ Reviewed by FWE's decommissioning team on an ongoing basis and updated regularly, as necessary	▪ Not reviewed in detail by market participants ▪ Updated irregularly (for instance Mr. Roberts references estimates from 2016) ▪ Appeal of estimates possible; FWE has successfully in the past appealed BSEE's estimates as it relates to bonding requirements

(1) "What is unknown are the assumptions made by management, how aged the data is, how often they are updated and validated, and numerous additional factors that make it unreliable as a data source" (Roberts Report, page 11)

C P&A Estimates

Support for FWE Estimates

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FWE has the most experienced P&A team in the Gulf of Mexico with a substantial track record of decommissioning properties across a large footprint, providing it with a unique ability to estimate P&A costs

Key Points

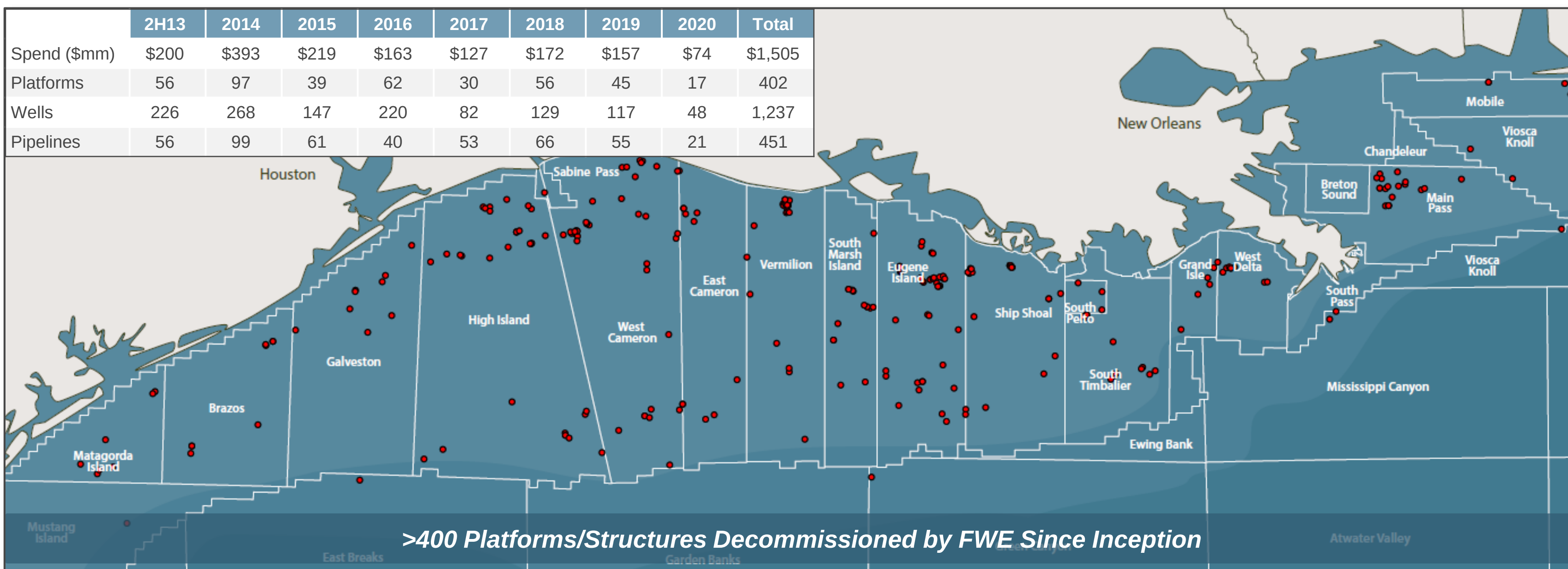
- P&A represents FWE core competency with dedicated decommissioning operating subsidiary and demonstrated industry leading performance
- VP of Decommissioning leads a dedicated division that manages all of FWE's P&A activities
- FWE owns fully outfitted well P&A spreads and well abandonment pulling unit system

Dedicated Decommissioning Staff

Riggers	22
Pump Operators	21
Supervisors	18
Wireline Operators	12
Equipment Personnel	5
Corporate	10
Total Staff	**88**

P&A Activity Since Inception (Illustrative) (1)

	2H13	2014	2015	2016	2017	2018	2019	2020	Total
Spend ($mm)	$200	$393	$219	$163	$127	$172	$157	$74	$1,505
Platforms	56	97	39	62	30	56	45	17	402
Wells	226	268	147	220	82	129	117	48	1,237
Pipelines	56	99	61	40	53	66	55	21	451



(1) Red dots on map indicate decommissioned platforms

D P&A Estimates

Additional Assertions in Roberts Report

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Mr. Roberts' Statement	Mr. Hanson's Response
Roberts Report: Page 12: *BSEE data "Is 'more accurate and account[s] for the diverse types of assets that exist today'"*	▪ This BSEE comment is simply saying that BSEE's methodology which was updated in 2016 "is more accurate" than BSEE's prior methodology ▪ The BSEE comment is **not** specifically saying that BSEE's methodology is more accurate than operators' methodologies
Roberts Report: Page 12: *"Is 'not based on the lowest cost for which an oil and gas company can do the work, but rather the cost that the U.S. taxpayer would potentially incur in [worst] cases, such as bankruptcy'"*	▪ Mr. Roberts' citation actually supports the point that BSEE estimates have a conservative bias reflective of a worst case in which an operator liquidates and there is no predecessor in chain-of-title and no other financial assurance ▪ FWE, on the other hand, is incentivized to accurately estimate its P&A obligations based on knowledge of its specific assets and for financial planning and reporting purposes
Roberts Report: Page 13: *"[…] the [BPEP] Decom Specialist informed A&M that he typically starts with the most probable cost estimates provided by BSEE ('P90')"*	▪ Mr. Roberts incorrectly states that P90 cost estimates are "the most probable" outcome ▪ In fact, P90 cost estimates are highly conservative ▪ SPE: "P90: The quantity for which there is a **90% probability** that the quantities actually recovered will equal or exceed the estimate" ▪ It is P50 cost estimates that actually reflect the "most probable" outcome ▪ BSEE's own P50 P&A estimates are ~$356mm lower than BSEE's P90 P&A estimates (1)
Roberts Report: Page 13: *FWE "described that, in their prior bankruptcy proceeding, they discounted their own ARO for valuation purposes at 8.9%"*	▪ The 8.9% discount rate that Mr. Roberts references relates to an accounting exercise that FWE performed for GAAP and/or Fresh Start Accounting purposes ▪ It does not reflect the rate or current market approach used by buyers of offshore E&P assets
Roberts Report: Page 13: *"[…] the Decom Specialist informed A&M that he […] risks for uncertainty as follows: +50% […] and -30%"*	▪ Mr. Roberts received this from an employee of BPEP, the company that hired him ▪ Mr. Roberts provides no other support or rationale for this methodology ▪ This methodology simply represents the preference of one individual and is **not** customary market practice
Roberts Report: Page 15: (2) *"A&M evaluated the Precedent Transactions [...], the ultimate difference in valuation was de minimis and did not warrant formal rebuttal"*	▪ Mr. Roberts did not rebut Mr. Hanson's (i) Public Comparables or (ii) Precedent Transactions valuation approaches (i.e., the "market-based valuation approaches") ▪ Mr. Roberts does not explain how he reconciles the significantly different valuations implied by (a) the market-based valuation approaches and (b) his NAV approach

(1) *Per McDonough Report Working Papers, "HIGHLY CONFIDENTIAL FWE NewCo -ARO Summary.pdf"*
(2) *The Roberts Report made a similar statement related to 'Public Comparables'*

Conclusion

I have thoroughly reviewed the Roberts Report

In my opinion, the Roberts Report contains material flaws, inaccuracies, and omissions

In summary:

- I do not agree with the assertions presented in the Roberts Report; and
- I do not believe it is necessary or appropriate to revise the conclusions set forth in the Hanson Report

I reserve the right to supplement the opinions, analyses, and conclusions presented in this Hanson Rebuttal based on (i) an adequate opportunity to review the Roberts Report source information and underlying analyses produced on May 20, 2021 and (ii) subsequently obtained information, including but not limited to, any objections, testimonies, reports of other experts and new market information

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